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INFO RUCNASE/ASEAN MEMBER COLLECTIVE
RUEHBY/AMEMBASSY CANBERRA 1288
RUEHBJ/AMEMBASSY BEIJING 1901
RUEHKA/AMEMBASSY DHAKA 4898
RUEHNE/AMEMBASSY NEW DELHI 4824
RUEHUL/AMEMBASSY SEOUL 8376
RUEHKO/AMEMBASSY TOKYO 5938
RUEHCN/AMCONSUL CHENGDU 1492
RUEHCHI/AMCONSUL CHIANG MAI 1659
RUEHCI/AMCONSUL KOLKATA 0350
RUEAIIA/CIA WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEKJCS/DIA WASHDC
RUEHGV/USMISSION GENEVA 3828
RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC
RUEKJCS/Joint STAFF WASHDC
RUCNDT/USMISSION USUN NEW YORK 1769
RUEHBS/USEU BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 03 RANGOON 000496

SIPDIS

SSTATE FOR EAP/MLS, INR/EAP
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TREASURY FOR OASIA, OFAC

E.O. 12958: DECL: 06/19/2018
TAGS: EAGR ECON EFIN PREL PGOV BM
SUBJECT: BURMA: GOB MANIPULATING RICE MARKETS FOR OWN
BENEFIT

REF: A. RANGOON 492

1B. RANGOON 353

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Classified By: Economic Officer Samantha A. Carl-Yoder for Reasons 1.4
(b and d)

1. (C) Summary. Concerned that rising rice prices could lead to future anti-government protests, the Burmese Government has again inserted itself in the rice trade. The week after Cyclone Nargis, when the World Food Programme (WFP) announced that it needed roughly 50,000 metric tons of rice to feed cyclone victims, the GOB decided that WFP could no longer buy rice directly from rice millers, but had to procure it through government-run Myanmar Agricultural Production Trading Corporation (MAPT) and Myanmar Economic Corporation (MEC). After WFP bought 10,000 metric tons of rice from MAPT at higher than domestic market prices, Vice Senior General Maung Aye subsequently prohibited WFP from procuring rice from Burmese sources for relief efforts. WFP estimates it still needs 46,500 metric tons of rice to meet Burma's immediate needs. WFP plans to import 10,000 metric tons of rice from India and Thailand by mid-July and may be forced to buy rice locally under the table. On May 30 the GOB temporarily suspended rice exports; private companies expect exports will be allowed to resume in September. Rice industry analysts confirm that the Burmese military, private companies, and rice millers hold ample stocks of rice. This all appears designed to benefit government coffers at the expense of relief efforts. End Summary.

Difficulties Securing Rice

¶2. (SBU) Cyclone Nargis devastated Burma May 2-3, affecting more than 2.5 million people living in the Irrawaddy Delta and Rangoon Division. After the storm, World Food Programme officials determined it needed 50,000 metric tons of rice to meet the immediate food needs of the storm victims.

According to WFP Director Chris Kaye, WFP set out to procure the rice directly from local rice millers, WFP's normal practice. However, the Rice Millers Association told Kaye that rice millers were no longer allowed to sell rice to WFP; instead WFP would have to procure rice through the previously-defunct Myanmar Agricultural Production Trading Corporation (MAPT), a Ministry of Commerce-run organization that used to procure rice for export. After meeting with Ministry of Commerce officials, WFP requested 20,000 metric tons of rice from MAPT. Several weeks after the storm, MAPT provided WFP with 10,000 metric tons of rice at a price of \$400 per metric ton, approximately \$100 more per metric ton than the rice millers had charged prior to the storm.

¶3. (C) U Kyaw Tin, Managing Director of SGS consultants (the primary rice inspection organization), confirmed that the GOB was concerned that the immediate need for large quantities of rice would drive up the prices, potentially sparking anti-government protests. By forcing WFP to procure rice through MAPT, the government believed it could control purchases and monitor rice prices. U Kyaw Tin further noted that by inserting itself into the rice trade, the regime also ensured that state-run entities would profit from rice sales. MAPT, defunct since the 2003 liberalization of Burma's rice market, did not have any rice stocks to sell to WFP. To obtain the 10,000 metric tons, MAPT purchased rice from military-run Myanmar Economic Corporation (MEC) at \$375-\$400/metric ton, which in turn obtained rice from

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private companies for \$300/metric ton. Both MAPT and MEC profited handsomely off the sale of rice to WFP, he noted.

¶4. (C) Kaye confirmed that WFP has not received the remaining 10,000 metric tons of rice requested immediately after the storm. According to both Kaye and U Kyaw Tin, General Maung Aye, concerned about the price of rice on the local market, told the Ministry of Commerce and MAPT not to fulfill WFP's request. Indeed, the Minister of Commerce told Kaye on June 8 that WFP was no longer allowed to procure rice locally, as the GOB determined it needed its rice stocks to meet existing market demand. On General Maung Aye's order, WFP was to obtain rice from "outside" (Ref A).

¶5. (C) Separately, Minister of Planning Soe Tha told Kaye last week that the GOB had enough rice to meet the needs of the people if WFP could not obtain the necessary rice. Even if the GOB had enough rice, Kaye doubted that the regime would use it to feed its people, since it had done little to alleviate the need in the past month.

How to Meet the Immediate Need

¶6. (C) In the past month, WFP has distributed, both directly and through NGO partners, more than 12,000 metric tons of rice. Kaye acknowledged that while it was waiting for MAPT to amass the 10,000 metric tons of rice, WFP borrowed rice from its protracted relief and recovery operations (PRRO) to feed the Burmese people. Additionally, it purchased under the table approximately 7,000 metric tons of rice from local companies. Currently, WFP has a stock of approximately 15,000 metric tons of rice. Kaye emphasized that a shortfall still exists; WFP still needs 46,500 metric tons of rice to meet the immediate needs of the people - 12,000 metric tons to cover the PRRO and 34,500 for the emergency operation.

¶7. (C) The Minister of Commerce told Kaye that the GOB has granted WFP a permit to import 10,000 metric tons of rice, although WFP has yet to receive the actual document. It is

unclear whether this is a one-time permit, although Kaye was confident that the GOB would allow WFP to import rice on a monthly basis. WFP officials are in the process of purchasing 5,000 metric tons of rice from both India and Thailand, at a cost of \$500-\$550 a metric ton. As the market price of rice continues to climb, WFP, with its limited budget, may have difficulties procuring the rice Burma needs.

Kaye confirmed that the shipment should arrive at the Myanmar International Terminal Thilawa (MITT) by mid-July - it will be the first rice import shipment the GOB has allowed in years.

Rice Exports on Hold...For Now

¶8. (C) Immediately after Cyclone Nargis hit Burma, the regime told private export companies to fulfill rice export contracts for Sri Lanka and Africa despite the immediate shortage of rice after the storm. However, rice exports were slow due to logistical problems, including lack of electricity, limited number of ships for transport, and few working cranes, at MITT. Consequently, by May 30, private trading companies only shipped to Sri Lanka 7,000 of the 50,000 metric tons promised and military-owned Myanmar Economic Corporation (MEC) shipped 15,000 metric tons of rice to Africa (Ref B).

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¶9. (C) Bowing to international criticism that the regime was exporting rice for a profit while its people went hungry, on May 30 the GOB placed a moratorium on rice exports. According to U Kyaw Tin, the GOB told private companies that they would be able to fulfill existing rice orders by September, when the situation "returned to normal." Rice industry analysts confirm that both private companies and the MEC maintain large rice stocks for export; it is not clear whether they will hold on to the rice or sell it for higher prices to WFP. Captain Quamruddin Ahmed, Director of Bay Line Shipping (the company that shipped the 7,000 metric tons of rice to Sri Lanka), confirmed that there are currently 42 containers holding 25 metric tons of rice each at the Myanmar International Terminal Thilawa, awaiting export. He told us that while the quality of the rice was unknown, the companies - Aye Yar Shwe Wa, Aye Yar Hin Tha, and Yadana Win Thone Zei - expected to be able to export the rice in the next few months, but would be open to selling it to interested parties inside Burma for the right price.

Comment

¶10. (C) The regime's interference in WFP's efforts to procure rice for the cyclone victims demonstrates how it manipulates the humanitarian crisis for its own economic benefit. Immediately after the storm, it ignored the obvious need for rice in the Delta, allowing MEC and private companies to export more than 20,000 metric tons of rice after the storm - food that should have been used to feed the Burmese people. At the same time, the regime forced WFP to buy rice from state-run institutions at substantially higher prices so it could profit from the disaster. Rice millers and private companies have excess stocks of rice that they can and want to sell. Even if WFP pays a premium, local procurement will still cost less than importing. The regime appears far less interested in ensuring rice remains affordable than with lining its pockets. They have no shame.

VILLAROSA